



SHELL OIL COMPANY 1970 ANNUAL REPORT

Year Ended December 31, 1970

Cover: The montage of blue pumps which dispense unleaded "Shell of the Future" gasoline symbolizes Shell's ability to provide the variety of fuels needed to meet engine design changes and new governmental requirements aimed at protecting the environment.

Drilling activity continues in the Uinta Basin in Utah to evaluate the significance of an oil discovery made last year by a Shell wildcat well.

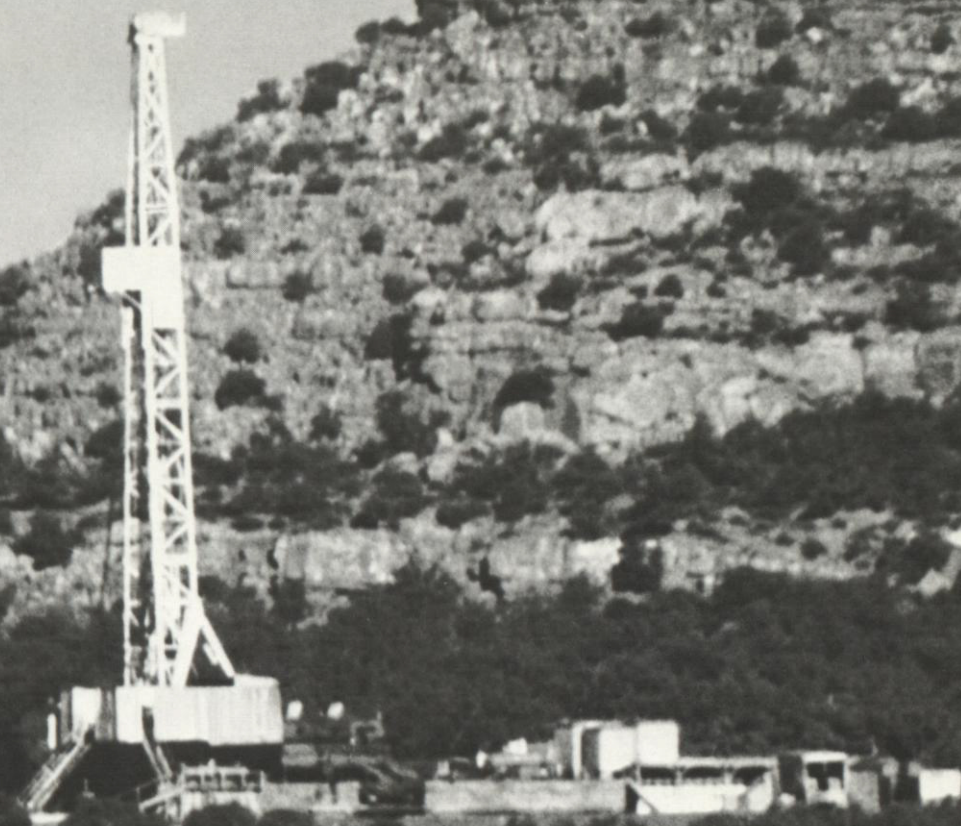
THE ANNUAL MEETING

of shareholders will be held at The Biltmore (Bowman Room), Madison Avenue at 43rd Street, New York, N.Y. at 11 A.M. Thursday, April 22, 1971. A formal notice of the meeting, together with a proxy statement and form of proxy, will be mailed to shareholders on or about March 20, 1971.

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Executive Offices:

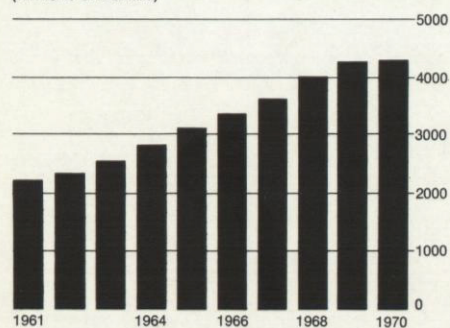
**SHELL OIL COMPANY
SHELL CHEMICAL COMPANY
SHELL DEVELOPMENT COMPANY
50 West 50th Street, New York, N.Y. 10020
SHELL PIPE LINE CORPORATION
P. O. Box 2648, Houston, Texas 77001**



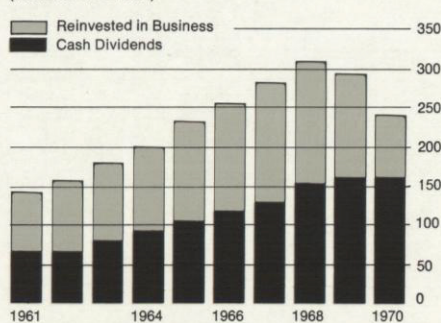
HIGHLIGHTS OF THE YEAR

Financial	1970	1969
Revenues	\$4,330,747,000	\$4,276,106,000
Net Income	\$ 237,205,000	\$ 291,151,000
Per Share	\$3.52	\$4.32
Cash Dividends	\$ 161,719,000	\$ 161,778,000
Per Share	\$2.40	\$2.40
Shareholders' Investment ...	\$2,742,975,000	\$2,667,570,000
Per Share	\$40.71	\$39.59
Capital Expenditures	\$ 634,825,000	\$ 628,753,000
Total Assets	\$4,609,763,000	\$4,356,222,000

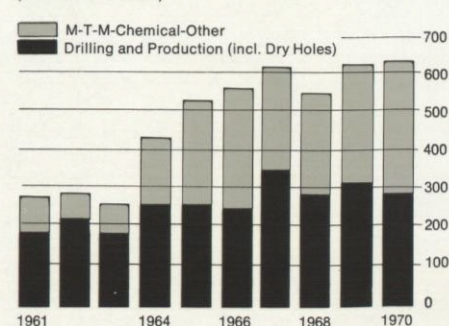
REVENUES
(Millions of Dollars)



NET INCOME
(Millions of Dollars)



CAPITAL EXPENDITURES
(Millions of Dollars)

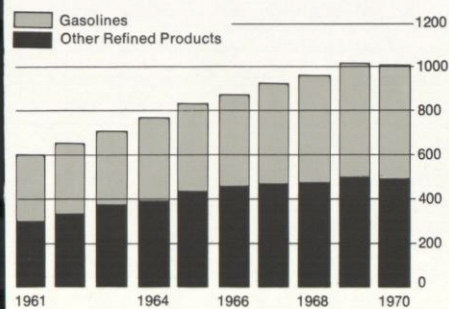




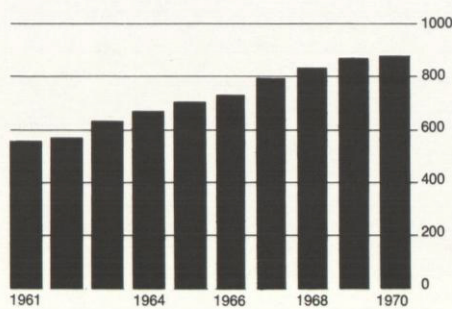
Ranch style service stations typify Shell's modern retail outlets.

Operating	1970	1969
Refined Products Sold (Barrels Daily)	1,005,000	1,008,000
Refinery Crude Intakes (Barrels Daily)	887,000	870,000
Net Crude Oil and Natural Gas Liquids Produced (Barrels Daily)	595,000	548,000
Net Natural Gas Produced (Thousand Cubic Feet Daily)	2,548,000	2,490,000
Chemical Operating Revenue ...	\$522,641,000	\$543,757,000

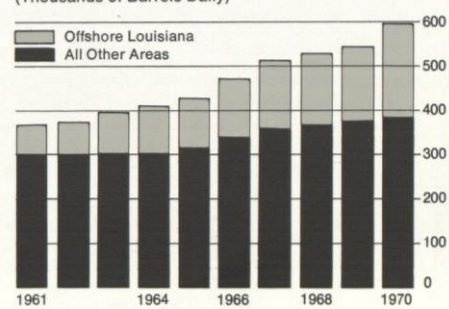
REFINED PRODUCTS SALES
(Thousands of Barrels Daily)



REFINERY CRUDE INTAKES
(Thousands of Barrels Daily)



NET CRUDE OIL & NATURAL
GAS LIQUIDS PRODUCTION
(Thousands of Barrels Daily)



TO THE SHAREHOLDERS:

We submit herewith a review of the operations of Shell Oil Company and its subsidiaries for 1970, together with the related financial statements.

For the twelfth consecutive year, the Company produced more liquid hydrocarbons and net natural gas than ever before. The volumes of petroleum liquids manufactured, moved and sold were at or near record levels.

However, for the second successive year, higher levels of operating activity were not accompanied by an improvement in earnings. Profit margins were eroded further from 1969 experience by the impact on costs of continued inflation, depressed product prices, substantially increased taxes, and heavy non-recurring costs and expenses.

As a result, 1970 net income declined 19 percent to \$237 million, equal to \$3.52 per share, from \$291 million, or \$4.32 per share, in 1969. Total revenues advanced to a record \$4,331 million from \$4,276 million in 1969. Funds provided from operations (net income plus write-offs and related tax deferment) were down 7 percent to \$629 million.

The added tax burden imposed by the Tax Reform Act of 1969 was the largest single element in the 1970 earnings decline. Income, operating and consumer taxes increased 4 percent, to \$912 million, a figure over five times larger than the total of cash dividends paid to shareholders. The reduction in the percentage depletion allowance, together with the imposition of a preferential tax, which, in effect further diminished the depletion incentive,

alone added \$29 million to 1970 taxes. Lower rates were only a small recompense.

This constraint on the industry's incentive and ability to generate funds for expansion cannot help but slow the search for new domestic reserves. This is particularly unfortunate at a time when demand is increasing faster than domestic discoveries, owing to the fact that oil and gas fields are becoming more difficult and costly to find and develop. Moreover, the cost of imported oil is rising sharply.

Another significant factor adversely affecting earnings was the property loss and containment expense related to two very serious well blowouts. This impaired net income \$13 million after tax and insurance credits. Further costs will be incurred in 1971 to complete the control and restoration program.

These two well blowouts involved unusual and costly control problems. In the spring, an exploratory well in Mississippi drilling below 21,000 feet encountered high pressure gas and blew out. Because of the depth and high gas pressure, containment was a long, costly process that is only now entering its final phase. In December, a major fire occurred on a platform in the Bay Marchand Block 2 field 10 miles off the coast of Louisiana. Efforts to extinguish the fire without causing major pollution have been intensive. The Company shares the profound sense of loss suffered by the families of five employees of drilling firms who were killed in the accidents.

Inflationary pressures tended to drive up most operating costs last year but intense competition prevented comparable increases in refined oil prices. The higher levels of operations and the achievement of sizable operating economies, however, more than offset the greater costs, including well blowouts, so that before-tax earnings of the petroleum segment of the business were nominally above the 1969 level.

Unstable economic conditions and the declining trend of industrial production had a more adverse impact on our chemical business owing to its greater orientation toward sales to industrial users than to the ultimate consumer. Other adverse factors were price weakness in certain product lines and the serious delays in the completion of the Houston olefins chemical plant.

The near-term outlook for Shell Chemical Company depends to a large extent on a recovery in the manufacturing sector of the national economy. Over the longer term, we are confident that Shell Chemical will contribute proportionately to consolidated earnings as benefits accrue from the substantial capital investments made since 1965.

Shell's capital expenditures in 1970 amounted to \$635 million, compared with \$629 million in 1969, bringing total capital invested in the business over the past 10 years to nearly \$5 billion.

This very large capital spending program has resulted in modernized and greatly expanded manufacturing and marketing facilities and a strong in-



March 15, 1971

crease in sales of refined products over the 10-year period. In addition, the Company has essentially maintained its hydrocarbon reserves over the past decade while significantly increasing its oil and gas production rates.

In mid-June the Company announced that joint venture agreements had been negotiated between two wholly owned subsidiaries and Shell Canada Limited. Under these agreements Shell is committed to expenditures of \$250 million Canadian covering exploration in Canada over six and one-half years and research into methods of producing synthetic crude oil over the next ten and one-half years. Our subsidiaries have equal interests with Shell Canada in permits and leases covering non-producing oil and gas interests in approximately 72 million acres in Canadian East and West Coast offshore areas, the St. Lawrence lowlands, the Yukon and Northwest territories, and in Shell Canada's tar sands leases at Athabasca and Peace River. Further details of these agreements are on page 10.

Expansion and modernization of oil and chemical manufacturing, marketing and transportation facilities and other investments accounted for 54 percent of 1970 capital expenditures. The remainder went into exploration and production. Additionally, exploration expenditures charged against income were \$83 million, compared with \$91 million in 1969.

Last August, \$150 million of 8½% 30-year sinking fund debentures were sold

to the public through an underwriting group. Net proceeds were added to the Company's general funds and were available for planned capital expenditures.

The Company is in a sound financial position, with funds available to meet all near-term requirements, including 1971 debt maturity of \$42 million. Long-term debt at December 31 was \$837 million, or 23 percent of total capitalization.

Cash and short-term securities amounted to \$233 million, compared with \$288 million at the end of 1969. Current assets of \$1,233 million were 1.6 times current liabilities of \$756 million.

Shareholders' investment at December 31, 1970, was \$2,743 million, or \$40.71 per share, compared with \$2,668 million, or \$39.59 per share, a year earlier. Dividends during 1970 totaled \$162 million, paid at the rate of \$2.40 per share.

Throughout the year we intensified our review of costs in all parts of our business. We further reorganized exploration and production, marketing and other field operations to reduce administrative overhead and improve efficiency. This streamlining also involved the relocation of a substantial number of employees of operating management organizations from New York, principally to Houston.

Based on the advantages already evident from this move, we have decided to transfer executive offices and associated staff organizations to Houston by

midsummer. We believe that these carefully planned organizational and personnel actions will enable all our people to improve further their productivity. The Company has been fortunate in maintaining an important depth of talented and resourceful people. Their continued effort, together with the support we have received from our customers and shareholders, for which we are grateful, gives us renewed confidence in the future.

With respect to corporate earnings, the year just ended did not represent an auspicious beginning of the decade of the Seventies for business in general, for the domestic oil industry, or for Shell. Notwithstanding current problems in the economic and social environment, however, the Company has established an excellent base position from which we can look forward with confidence to profitable growth in the years ahead. We are hopeful that some measure of this growth may be recorded in 1971.

A more detailed description of the Company's performance during 1970, and the customary financial statements, will be found on the following pages.

FOR THE BOARD OF DIRECTORS

David H. Barran
Chairman

D. B. Kembell-Cook
President

A TIME OF CHANGE AND CHALLENGE

What kind of a year was it for Shell?

It was a year in which the Company was affected, to an unprecedented degree, by the prevailing climate of economic and social change.

It was also a year in which the Company's internal operations and planning were particularly responsive to immediate needs and sensitive to long-term growth opportunities.

The external factors affected nearly all major industrial enterprises. There were the problems of environmental controls and related ecological concerns; the growing awareness of the potential energy crisis facing the country; the continuing pressure to make economic opportunity a reality for all segments of the population; the challenging attitudes of young people toward many institutions. And, of course, the economic slowdown itself.

Several positive events and developments at Shell during 1970 deserve special note:

—the introduction of nonleaded gasoline.

—the commitment to substantial exploration and development in Canada, a venture of important magnitude outside the United States.

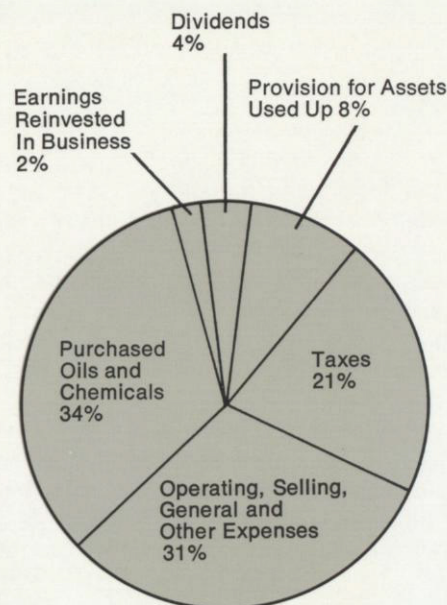
—the coming on stream of a very large olefins plant in Houston, Shell's largest single investment in the chemical sector.

—organizational changes designed to increase operating efficiency, including the transfer of operating headquarters to Houston.

Aside from the impact of each of the planned developments on the Company earnings during 1970, they all should contribute profitably to Shell's growth in the future.

Clean, modern architectural design and ample landscaping characterize Shell's new service stations and enhance their attractiveness to motorists and the communities in which they are situated.

DISPOSITION OF SHELL'S 1970 GROSS REVENUES of \$4.3 Billion



MEETING THE PUBLIC'S CHANGING DEMANDS

"Shell of the Future"

The introduction of "Shell of the Future," the Company's new unleaded gasoline, illustrates the ability of Shell's combined Marketing, Transportation and Supplies and Manufacturing Organization to anticipate and respond rapidly and effectively to changing conditions. The need for unleaded gasoline to reduce air pollution had been foreseen. Accordingly, when two major automotive manufacturers announced in February, 1970, that engines in 1971 model cars would be designed for the new fuel, Shell was the first marketer to announce that it would begin to offer the new gasoline nationwide. At the end of the year it was available in most service stations in direct marketing territories.

Shell believes that by providing three grades of gasoline the needs of all motorists will be met most economically during the next decade as cars with more sophisticated environmental protection systems gradually replace those on the road today.

Nearly \$70 million was invested during 1970 in the accelerated program to bring "Shell of the Future" to the market. Meanwhile, a continuing research program is being maintained to assure continuance of the high quality standards of all Company products, particularly Shell gasolines, in terms of mileage performance, reduced emissions and engine cleanliness.

Upgrading Station Performance

Shell is one of the largest marketers of gasoline in the United States. It is also one of the most efficient, principally as the result of a continuing program of eliminating unproductive stations and establishing higher standards of appearance and sales volume for existing outlets. At present, the gasoline sales volume of an average Shell station in direct marketing territory is nearly 50 percent higher than that of the average station of other major oil companies.

While over 2,200 modern service stations have been built during the past

five years, approximately 3,200 outdated, less efficient stations have been closed. Thus, at the end of 1970, the Company had about 10,500 leased and owned retail outlets, compared with 11,500 five years earlier.

"Shellshape" Progress

The "Shellshape" program, which involves diagnostic and repair functions at selected Shell stations, is being extended to a number of stations in all marketing regions. These stations, staffed with specially trained personnel using advanced types of equipment, fill a long-standing need for convenient, reliable repair services at reasonable prices. The "Shellshape" program also provides special facilities and added incentives for dealers to upgrade their businesses.

Refined Products Revenue Increase

Sales volume of refined products was about the same as in 1969. Revenue from sales of refined products amounted to \$2,079 million, a new high.



Sales of automotive gasoline, the Company's largest volume product, showed a small gain in 1970, while domestic demand rose an estimated 4.8 percent. As a result, Shell's share of the domestic gasoline market in 1970 slipped to about 8.3 percent. Volume sold to service stations in direct delivery territories increased 3 percent over 1969, so Shell came closer to holding its share in that market.

Shell-branded tires, introduced in mid-1969, proved extremely popular, with sales substantially exceeding the previous year.

In the aviation sector, where Shell is the nation's leading supplier of fuels for commercial air transport, jet fuel sales increased about 8 percent. During the year, Shell introduced the first low-leaded 100-octane grade aviation gasoline for piston engines.

Although demand for liquefied petroleum gas continued the strong trend of a year earlier, sales declined slightly because of supply shortages.

The ability to respond to the most profitable market demands was further improved in two important respects as the Company moved into the 1970s. Marketing staffs were organized more efficiently and sales were based primarily on products which Shell anticipates will provide relatively high profit potential for the future. Also, product quality was improved still further, service station beautification was advanced, many cleaner environment projects were launched and important steps were taken to provide broadened economic opportunities for all citizens.

Building for Growth Markets

During 1970, the Company continued

RATED CRUDE OIL CAPACITY

Barrels Daily	
Refinery	1970
Anacortes	88,000
Ciniza	15,500
Houston	255,000
Martinez	100,000
Norco	240,000
Odessa	29,000
Wilmington	86,000
Wood River	245,000
Total	1,058,500

to move forward in its program of modernizing and expanding refinery facilities. The major projects at the Company's Houston, Texas; Wilmington, California; and Wood River, Illinois, refineries increased daily crude distilling capacity by 115,000 barrels to over one million barrels. These projects also increased the availability of gasolines, jet

fuel and other light fuels by 156,000 barrels a day.

The Wood River refinery expansion, which had been slowed significantly by jurisdictional disputes and a shortage of skilled labor, was completed in 1970. This will enable the Company's growing Mid-continent market to be supplied more efficiently.

Major portions of the Houston refinery expansion were completed during 1970. The crude distilling unit and integrated vacuum flasher, the naphtha hydrotreater, and the catalytic reformer which produces high octane gasoline components were completed several months ahead of schedule. All major units in the Houston expansion will be completed when the hydrocracker is brought on stream this year. At that time, each of the three Shell refiner-

SOURCE AND DISPOSITION OF REFINED PRODUCTS

(Thousands of Barrels Daily)

	1970	1969
Source		
Net Crude Oil Produced	527	485
Net Natural Gas Liquids Produced	68	63
Crude Oil Purchased	936	952
Less: Crude Oil Sold	(614)	(599)
Crude Oil Inventory Change	—	(6)
Refined Product and Process Stocks Purchased	169	206
	<u>1,086</u>	<u>1,101</u>
Disposition		
Refined Products Sold	1,005	1,008
Used In Chemical Manufactures	49	40
Product Inventory Change	(9)	9
Net Of Use As Fuel, Own Consumption, Losses, Etc.	41	44
	<u>1,086</u>	<u>1,101</u>

ies supplying the Mid-continent, East Coast, and Gulf Coast markets will have hydrocracking units permitting maximum flexibility for the production of higher valued products. The expansions at Wood River and Houston also further strengthen the Company's good position for manufacturing the new unleaded gasoline—"Shell of the Future."

A new vacuum flasher and coker installation at the Wilmington refinery in Southern California began operating early in 1971. These facilities are designed to convert high sulfur residual fuels to higher valued light products and petroleum coke.

New Pipeline Links Chicago, Gulf Coast

Shell continued to expand and improve its transportation network. The Explorer Pipeline, scheduled for completion by the end of 1971, represents the largest current venture for Shell Oil in this field. This pipeline, in which Shell has a 26-percent interest, will extend 1,300 miles from the Louisiana-Texas Gulf Coast area to Chicago. It will be the second largest products pipeline in the United States, with an expected initial capacity of 400,000 barrels per day and an ultimate design capacity of 800,000 barrels per day.

The "Shellshape" program, in which selected service stations have advanced equipment and specially trained personnel for conducting diagnostic and repair functions, is being extended to all marketing regions.



THE UNENDING SEARCH FOR OIL AND GAS

Exploration and production has traditionally accounted for about half of Shell's capital investment. While the proportion of funds devoted to this activity was lower in 1970, due to the impact of high investments in other sectors, actual outlays approximated those of recent years.

Today, almost one out of five Shell employees is directly involved in the continuing effort to locate and produce petroleum to meet the steadily increasing demand. This large-scale use of

highly qualified personnel—geologists, geophysicists, engineers and technical support personnel — reflects Shell's conviction that substantial quantities of petroleum can be found most effectively in existing fields, as well as in new areas, by increasingly sophisticated application of science.

In Canada: A Major Venture

Shell's policy of aggressive exploration was shown clearly in the announcement on June 17, 1970, that two wholly

owned subsidiaries of the Company had entered into contracts with Shell Canada Limited providing for joint exploration and development of non-producing oil and gas interests in approximately 72 million acres in offshore and onshore Canada. These holdings, in which Shell subsidiaries and Shell Canada have equal interests, are off the East and West Coasts of Canada, in the St. Lawrence lowlands and the Gaspé Peninsula of Quebec, and in the Yukon and Northwest Territories.

One of the agreements is subject to renegotiation if qualification for holding leases becomes materially more adverse than contemplated by the agreement.

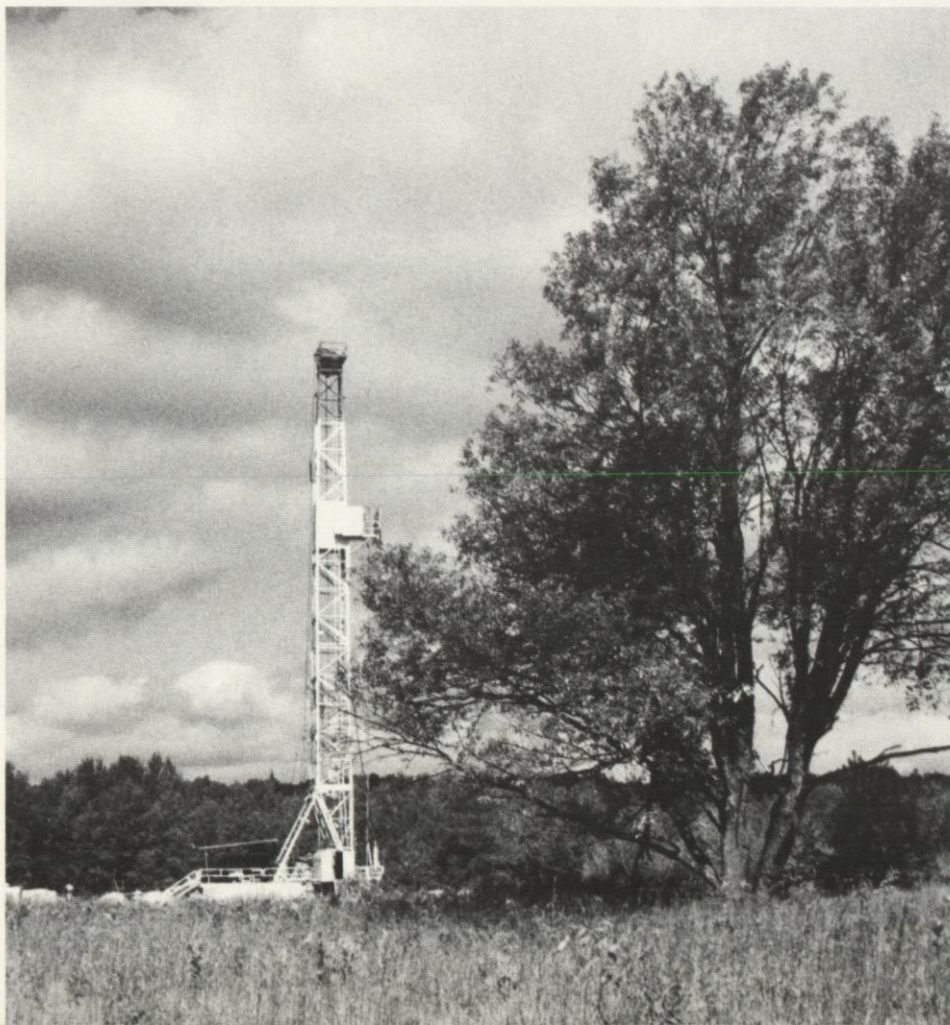
The two Shell Oil subsidiaries are committed to spend \$225 million Canadian, primarily over a period of 6½ years, for exploratory work on these holdings.

All costs in addition to those contracted by the Shell Oil subsidiaries will be shared equally with Shell Canada. Shell Canada will be entitled to over-riding royalties on oil and gas production in excess of specified volumes from pools found during the 6½-year primary term of the agreement.

In addition, one of the Shell Oil subsidiaries and Shell Canada each has a 50-percent interest in leases pertaining to the Athabasca tar sands and the Peace River heavy oil accumulations in the Province of Alberta. The subsidiary contracted with Shell Canada to spend \$25 million Canadian, over a primary term of 10½ years, for joint research on methods for producing synthetic crude from these sources.

The contracts represent one of the largest ventures the Company has un-

This well in Michigan exemplifies the way Shell conducts its current exploration and development activity so as to leave wildlife and recreation resources unharmed.



dertaken thus far outside the United States. The agreements provide that Shell Canada, the operator of the joint venture, may draw on Shell Oil's substantial experience in ocean drilling, which is expected to be particularly applicable in the East Canada offshore.

In the East Coast offshore area two semi-submersible drilling vessels drilled a number of exploratory tests on the joint acreage. An active drilling program is continuing. From the exploration work carried out to date it is apparent that a thorough evaluation of the very extensive joint holdings in this area will require a long and intensive effort. The Company is still in the early stages of this program. While no commercial accumulations of hydrocarbons have been encountered as yet, there have been shows of oil and gas in several tests.

In the Northwest Territories two exploratory tests were completed as dry holes during 1970. Active seismic and drilling programs in this area are continuing this year.

The 1970 expenditures under the agreements of \$25 million Canadian were essentially all charged against current income.

In the Gulf: Number One Producer

During 1970, as in the past few years, the largest share of Shell's combined exploratory and development activity occurred in coastal waters of the Gulf of Mexico off Louisiana and Texas, where the Company is the industry's leading producer. More than 40 percent of Shell's total crude oil and condensate and about 35 percent of its natural gas come from this area.

Last year, in offshore Louisiana

alone, the Company drilled 160 wells, approximately 29 percent of the 1970 total, and 45 percent of the capital expenditures for drilling and development were allocated to this deep water environment. These expenditures were lower than a year earlier, primarily due to the delays by the federal government in holding major lease sales.

At the December 15 sale of leases on tracts in federal waters off Louisiana, Shell was the successful bidder on 9 tracts totaling 42,500 acres for bonus payments of \$47,630,000.

Onshore: Promising Developments

In the onshore provinces, there were encouraging exploratory and development programs in Central Mississippi, Northern Michigan and Utah. The significance of these and earlier discoveries will be determined by further drilling.

In Central Mississippi, oil and gas discoveries in 1969 were followed during 1970 by an oil discovery in Jasper County and a gas-condensate discovery in Greene County. In this area, our leasehold interest is approximately 500,000 acres and we have a continuing program of wildcat drilling. During 1970 we announced plans to construct the largest sulfur recovery plant in the United States near Jackson, Mississippi, to process sulfur-rich gas produced in this area. The plant should recover about 1,250 long tons of sulfur a day at its designed capacity. Completion of the plant is scheduled for mid-1972.

In Northern Michigan, the Company participated in the drilling of 13 wildcat wells during 1970 to evaluate its 1.5 million-acre lease holdings where oil

and gas discoveries were made in 1969. Although 7 of the wildcat wells were indicated discoveries—3 oil and 4 gas—they are essentially unevaluated and have not resulted in the delineation of any large field. The area involved is one favored by hunters, fishermen and other naturalists. The Company has made special efforts to protect the environment, to restore the landscape to its previous condition and to explain the compelling necessity for such drilling in the light of the nation's energy needs.

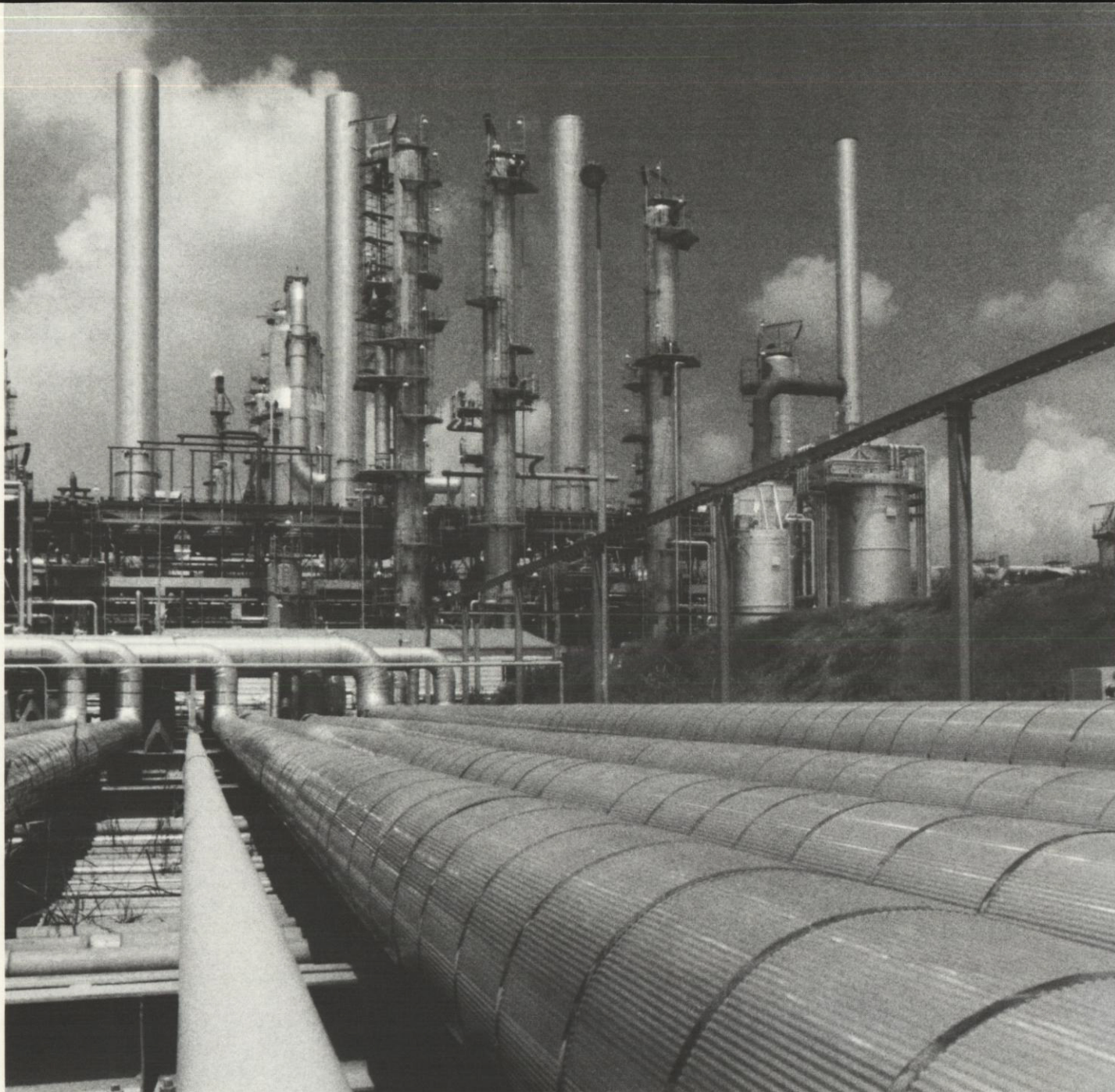
Unquestionably, problems of this type will be encountered with increasing frequency in the future. Shell believes they can be resolved amicably in the common interest through programs of action and frank and objective communication based on honest appreciation of varying viewpoints.

An oil discovery was made by Shell in May in the Uinta Basin of Utah where the Company holds leases on more than 200,000 acres. Further drilling is under way to delineate fully the size of the accumulation.

On the North Slope of Alaska the Company continued, in association with a partner, detailed seismic studies on a portion of the 10,000 net acres acquired in the September, 1969, state lease sale. In addition to this state acreage, Shell holds oil and gas leases on approximately a quarter-million acres of federal lands in Alaska.

Exploratory work continued in other promising sedimentary basins in the United States, including several in the Rocky Mountains and the Texas Gulf Coast area, as well as the Black Warrior Basin in Alabama and Mississippi.

Supplemental recovery activities in-



volving fluid injection techniques continued to be important. They permit recoveries that otherwise would not be possible, and account currently for about 20 percent of the Company's crude oil production. About 30 percent of the total recoverable crude oil reserves is attributable to this type of operation.

Five major gas plant construction projects were completed during 1970 in Louisiana and Mississippi for the extraction of liquids and sulfur contained in natural gas. The new facilities increased the Company's plant liquid production by 25 percent at year end,

compared with the average of the previous year.

Production and Reserves

In 1970, production of both oil and gas established new highs for the twelfth year in a row. Gross liquid hydrocarbon production amounted to 688,000 barrels daily, or 6 percent of estimated domestic industry production. Gross natural gas production, of which Shell had an estimated 5 percent of the domestic industry total, amounted to 3,027 million cubic feet daily. The increase in crude oil production was due in large measure to higher allowable

production rates in Louisiana and Texas. This was brought about by higher domestic crude oil demand which was caused in part by supply and transportation restrictions on imported crudes.

Net proved reserves at year end were estimated at 2.3 billion barrels of liquid hydrocarbons and 8.4 trillion cubic feet of gas, compared with 2.3 billion barrels of liquids and 9.2 trillion cubic feet of gas at the end of 1969. It was also estimated that 82 percent of the liquid hydrocarbon reserves and 87 percent of the natural gas reserves were recoverable without drilling additional wells.

CHEMICALS: PROBLEMS AND PROGRESS

Financially, 1970 was a disappointing year both for the chemical industry and for Shell Chemical Company, which manufactures and markets products for industry, agriculture and general uses. Operations were affected by general conditions in the chemical sector of the economy and by production and regulatory problems.

Sales and other operating revenue totaled \$523 million, compared with \$544 million in 1969, equal to 15 percent of total Shell sales before consumer excise and sales taxes. After including nonrecurring expenses, primarily construction, start-up and related expenses in connection with the new olefins plant in Houston, Shell Chemical income before income taxes and unallocated corporate costs was essentially at the break-even point.

Long range, however, the past year may turn out to be extremely significant for Shell's growing involvement in the chemical industry. The most important single development was the coming on stream, after a severe delay caused by a strike of ironworkers, of the new Houston olefins plant. This plant, one of the largest in the world for the production of light olefins—mainly ethylene and propylene—should begin to make a contribution to earnings during 1971.

This olefins plant at Houston, the largest project in the history of Shell Chemical Company, enhances Shell's position as a leading producer of ethylene, propylene and butadiene, which are widely used in making plastics, solvents, synthetic rubber, and nylon.

The plant is particularly significant for the way in which it provides an "interface" between Shell's activities in the energy sector and those in the chemical sector. Refinery streams are processed to upgraded components for gasoline and other energy products while simultaneously yielding olefins for sale and further upgrading by Shell Chemical. The size and complexity of this interface operation are unique within the United States. The technology employed reflects a new era in petrochemistry in which integrated production units can process crude oil with greatly increased effectiveness and versatility.

A most encouraging development during the year was the increasing market acceptance of Shell Chemical's KRATON® Thermoplastic Rubbers. KRATON represents the introduction of an essentially new class of materials which combine the elasticity of rubber with plastic's ease of fabrication, thus enabling the injection molding of rubbery products for a variety of end uses. Shell is the first on the market with this class of materials and leads the field in developing other new applications that include adhesives, coatings, footwear, packaging and pharmaceuticals.

As part of its activities Shell Chemical has several small plastic fabricating operations which bring the Company closer to the end uses of its chemical products. These operations enhance the Company's ability to gain knowledge and experience in the materials markets.

Sales of chemical fertilizers increased but the market for pesticides declined, as was anticipated in light of the growing emphasis on the search

for alternative methods of pest control. Shell is actively engaged in development work on non-persistent pesticides—specific in their action—that hopefully will provide the same degree of effective pest control achieved with the "first generation" chemical pesticides.

Consumer acceptance of NO-PEST® Insecticide Strips, used to control flying insects in interior areas, continued to increase. The NO-PEST Strip remains one of the most effective and one of the safest ways to protect homes from the menace and inconvenience of flies and mosquitoes.

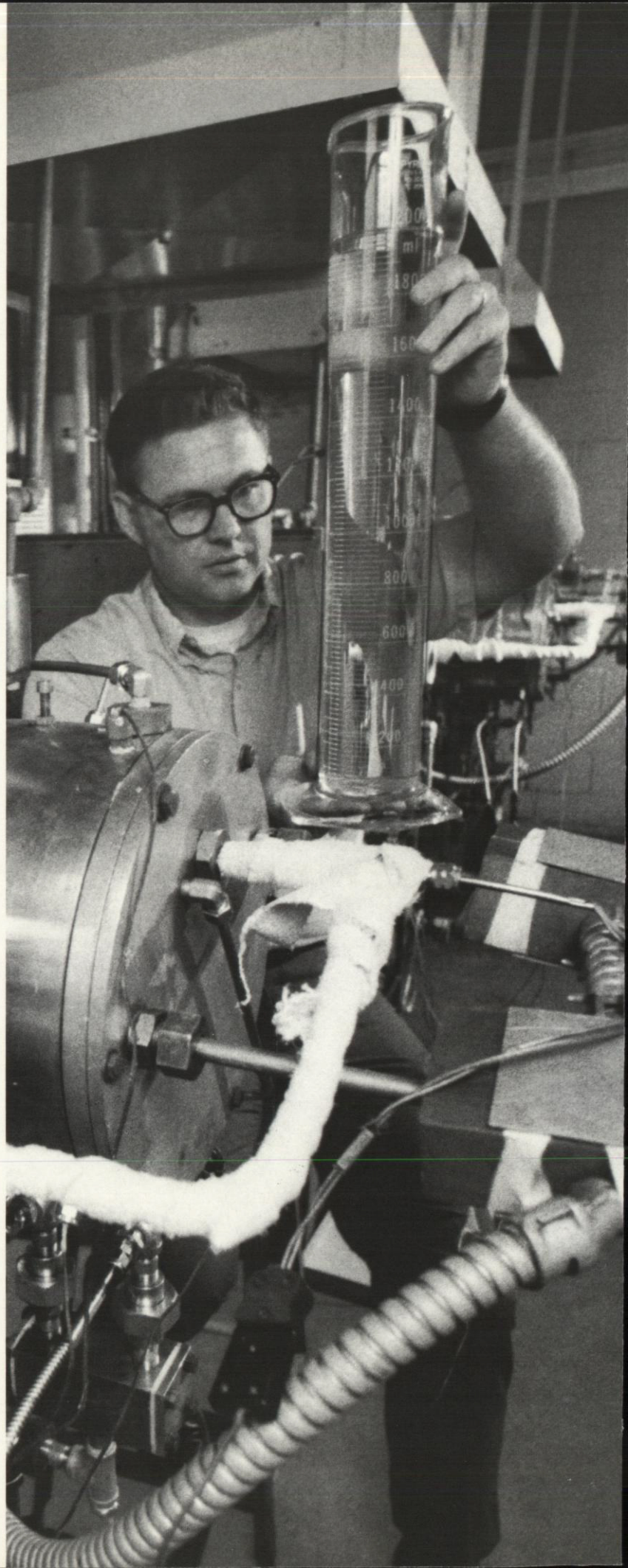
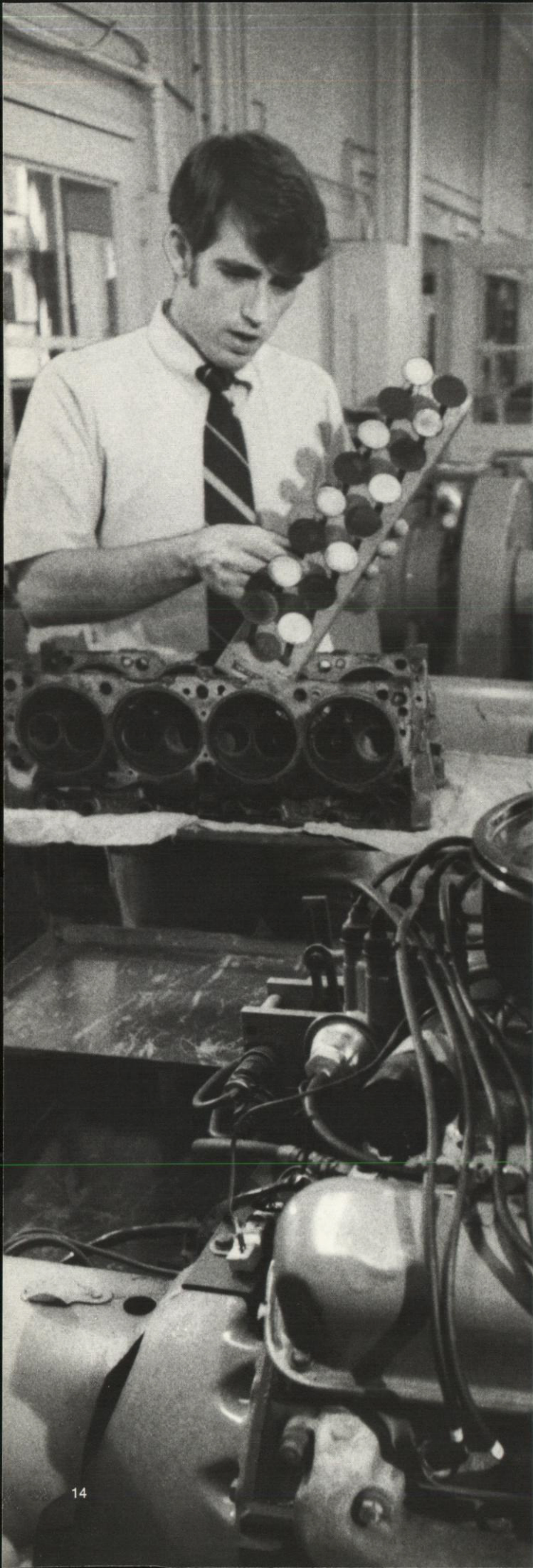
COMMUNITY DEVELOPMENT PROJECTS

During the year Shell announced plans for two community development projects on prime undeveloped land acquired by the Company.

In both projects, a Shell subsidiary will sell parcels of land to qualified developers who will be responsible for actual construction in accordance with Shell's master plans.

In Houston, the Plaza del Oro development involved the purchase of 525 acres in the south central section of the city, adjacent to the Astrodome. It is expected that about 25,000 persons will ultimately live and work in a community of apartments, office buildings, commercial structures and medical facilities to be constructed on this site.

In Kansas City, Missouri, the Tiffany Centro development will include motels, office buildings and other commercial facilities on an 80-acre tract near the Kansas City International Airport, now under construction. The land purchase is subject to approval of a zoning application.



RESEARCH AND DEVELOPMENT

Research and development expense in 1970 was approximately \$54 million, or 2 percent of oil product and chemical sales. Nearly 2,200 men and women were involved in the Company's R&D programs in 9 laboratories throughout the country during the year.

The Company stepped up its already intensive R&D program in the area of environmental conservation. Current research includes the chemistry of smog formation, waste water treating, incineration of wastes and control of oil spills. Effective devices for monitoring the contamination of water and air have already resulted from these programs and are being used in Shell's production and distribution facilities.

Oil product research continued to be responsible for a number of new and improved lubricants that meet the increasingly demanding requirements of aviation, automotive and industrial equipment. Special attention was focused on automotive emissions and their control.

This research program provided the technical background for the timely introduction of the Company's unleaded "Shell of the Future" gasoline.

In recent years, Shell intensified its research programs that support existing product lines. An important activity in this area is the search for improved catalysts that will give better yields at lower costs.

At the Wood River Research Laboratory many different car engines are tested continuously, with special attention focused on emissions and the way improved Shell gasolines and lubricants can help achieve the nation's goal of cleaner air.

Another program concentrates on new formulation and fabrication techniques for structural and coating applications for thermoplastics and EPON® Resins. Research aimed at product improvements also includes Shell's newer products such as the new KRATON Thermoplastic Rubbers where efforts are directed at increasing the scope of their commercial applications.

Several teams are continuing the search for new types of pesticides for use in specific areas or on specific crops where presently available materials are unsatisfactory owing to a poor cost-performance relationship or to lower tolerances imposed by regulatory groups.

For several years a major thrust in oil refining research has been toward advanced control techniques for refining processes, including the use of precise mathematical models, and modern electronic computers to simulate and optimize refining processes. During 1970 Shell accelerated and extended

its applications of this research. Active projects in this category range in scope and complexity from computer controls to provide the means of increasing the efficiency and capacity of giant catalytic crackers, to more precise control of sulfur recovery plants to minimize undesirable intrusions on the environment.

In the transport sector, research has the broad objective of improving methods and lowering costs of moving crude oil and oil products. One approach to the problem of reducing frictional losses in transport involves the injection of water into pipelines carrying viscous or waxy crudes. A new refinement of this technique is being used for a recently constructed Shell pipeline in California which carries heavy San Joaquin Valley crudes.

Research is also under way to investigate factors which impair the production rate of gas and oil wells. Laboratory models have been developed and are being used to simulate the application

PROPERTIES, PLANT AND EQUIPMENT (Thousands of Dollars)

	1970 Capital Expenditures		Investment December 31, 1970			Investment December 31, 1969	
	Amount	%	Cost	Net	%	Net	%
Production properties	\$289,951	46	\$2,923,714	\$1,413,366	43	\$1,394,873	46
Oil refineries	91,265	14	1,158,889	619,622	19	556,721	18
Chemical plants	54,260	8	716,742	398,575	12	370,210	12
Marketing facilities	143,296	23	809,655	584,318	18	477,145	16
Pipelines and other transportation facilities	24,237	4	362,463	180,910	6	178,393	6
Miscellaneous	31,816	5	104,925	59,904	2	54,656	2
Total	<u>\$634,825</u>	<u>100</u>	<u>\$6,076,388</u>	<u>\$3,256,695</u>	<u>100</u>	<u>\$3,031,998</u>	<u>100</u>

of steam injection oil recovery techniques to particular oil fields with the expectation of further increases in profitable recovery of heavy oil.

Two long-range projects are keyed to the potential importance of oil shale and tar sands as supplements to the future available supply of crude oil. As one part of this program, Shell is initiating field tests directed toward on-site recovery of shale oil in the Piceance Creek Basin in Colorado. The tests are expected to extend over a period of several years. As noted earlier, research on the development of synthetic crudes from Canada's tar sands is to be conducted for the joint venture with Shell Canada.

Shell and a subsidiary of Shell Petroleum N.V. have continued an arrangement whereby each will perform for, and exchange with each other, research activities related to petroleum technology, chemicals and other fields.

This tall building in downtown Houston—One Shell Plaza—now contains the headquarters of the Company's operating and supporting staff organizations. By midsummer it will also house Shell's corporate headquarters, now in New York.





OBJECTIVE: GREATER EFFICIENCY, ECONOMY

During 1970, Shell made a number of changes in its organization and its operating methods. These changes, occurring during a period of depressed economic conditions, affected earnings adversely to some extent but they are expected to strengthen the Company and contribute to gains both in the near and the long-term future.

A most significant change, completed last October, was the transfer of operating headquarters from New York City to Houston, where they are now housed in the new high-rise office building at One Shell Plaza. This will be followed during 1971 by the move of the offices of executive management and associated staff organizations to the same location. Only a small staff, adequate to maintain certain financial and other relationships in the New York metropolitan area, will remain in Manhattan.

The decision to relocate operating and corporate headquarters followed a year-long site and organization study which considered the economic and social climates of selected major cities. The data assembled was then applied to Shell's present requirements and its anticipated needs through the rest of this century.

The consolidation of management and operating headquarters in Houston, closer to the hub of Shell's operations, will result in improved efficiency and substantial economies.

All three major operating organizations were realigned for greater efficiency during 1970.

The Exploration and Production Organization was further streamlined by reducing four territorial headquarters to two, under which responsibility for

local operations is based on dominant geological characteristics.

In the M-T-M complex (Marketing, Transportation and Supplies, Manufacturing), the number of Marketing regions was reduced from four to three through the merger of the Eastern and Southern Regions into a single unit. New data processing facilities made it possible to reduce the number of order centers throughout the organization and still provide more efficient support both to Shell jobbers and service stations.

The M-T-M Research and Development Organization was restructured to integrate more effectively the planning and execution of programs which are more responsive to future market requirements, and other changes.

In Shell Chemical, following the merger of two closely related divisions in the previous year, the Company's organization was further streamlined in 1970 by combining the Agricultural Chemicals Division and the Ammonia Division into a single unit, the Agricultural Division.

The Public Relations activity was also restructured and assigned to a newly constituted Public Affairs Organization which has increased responsibility in the area of Shell's involvement with environmental matters and to insure the early anticipation of and prompt and effective response to social and governmental issues.

The number of data processing centers is being reduced from seven to five.

Underlying these specific structural and organizational changes there has been an intensified effort to streamline and upgrade further the performance of all units in the Company.

SHELL, THE ENVIRONMENT AND SOCIAL PROBLEMS

As a major integrated petroleum and chemical company, and indeed as a major U.S. corporation, Shell has a very direct role and interest in constructive new public debate on environmental and social problems.

It is important that the public appreciate that oil companies lead all other industries in expenditures for pollution control. Shell's approach to the desire for preservation of natural environmental quality has involved a clear commitment in terms of corporate policy—and substantial expenditures and effort on specific projects.

During 1970, the Company's environmental conservation activities were further expanded. A highly capable staff of chemists and engineers was strengthened with additional experts on wildlife and plant pathology. There is a dedicated and effective organization to prevent and fight water pollution from oil spills. In the refineries, chemical plants and exploration and production divisions, specific personnel have direct responsibility for environmental

conservation. In all major sectors of the Company environmental specialists are working to assure that Shell's facilities meet the new criteria now being established.

Harmony with the environment is a major factor in locating, designing and operating Shell facilities, from drilling rigs to service stations. The Company is concerned not only with clean air and water but with the broader aspects of environmental quality. These include the protection of wildlife, the proper utilization of parklands, the esthetic management of land used for industrial purposes and the preservation of estuaries and wetlands.

Shell's participation in programs designed to cope with some of the nation's most pressing social problems also increased during 1970. In addition to its commitments to projects sponsored by a number of national organizations, the Company continued to develop several of its own distinctive programs.

One of these, the Automotive Professional Training (APT) program for high

school students, is designed to prepare potential dropouts for productive careers in service stations and for responsible participation in community life. APT evolved from Shell's dealer training program. It depends on highly qualified instructors using teaching materials and basic equipment furnished by the Company. The program now is in operation in nearly 40 schools and institutions. It has been credited not only with increasing the technical skills of students but with motivating them to cope successfully with other branches of their curriculum. In a number of cases APT graduates have continued their education by going on to college.

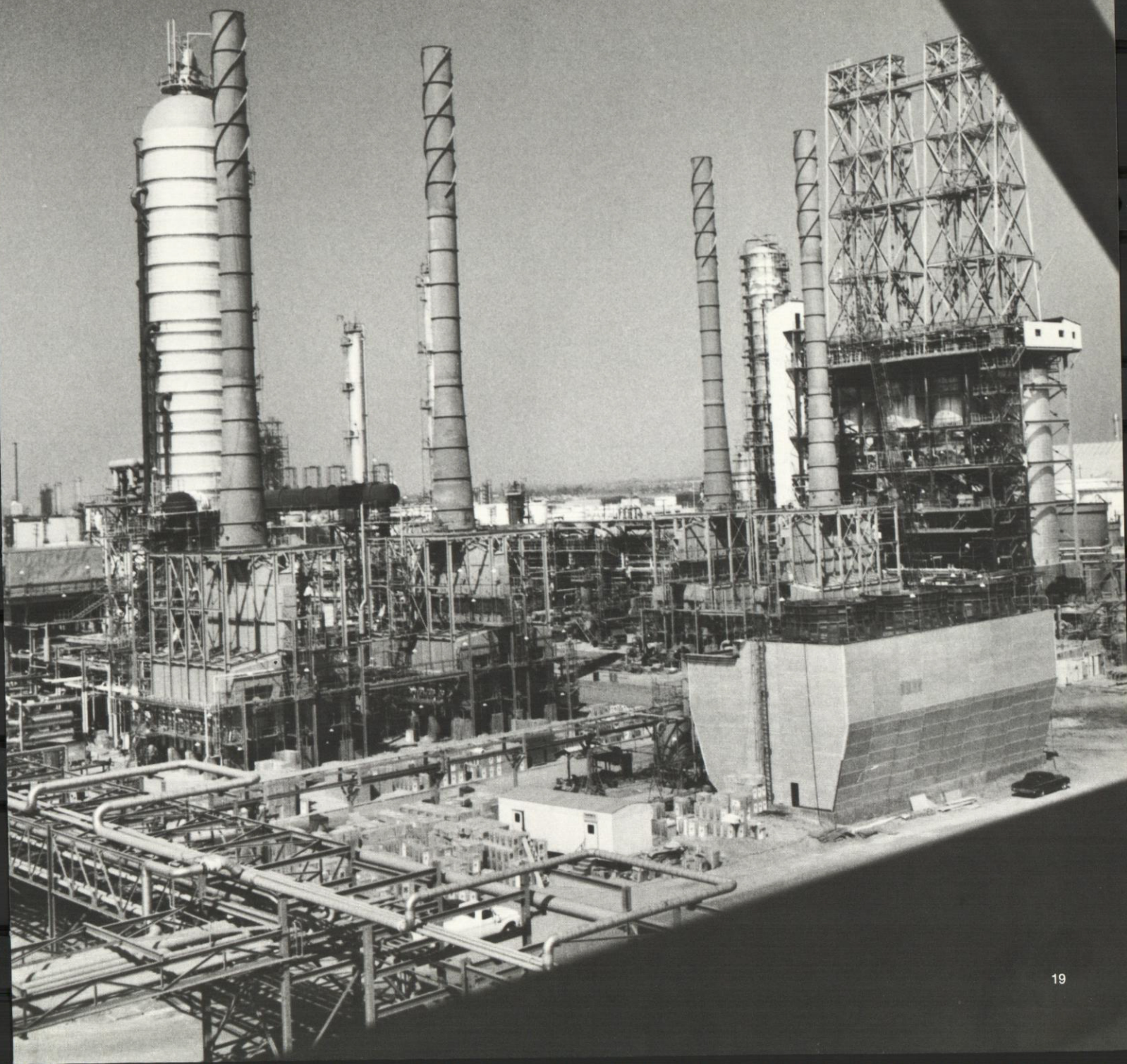
A second program, initiated experimentally in 1969, involved the establishment of Trenton Packaging Company to provide job opportunities for minority citizens in an economically depressed area of Trenton, N.J. The company handles packaging of NO-PEST Strips and also has developed contracts with other manufacturers.

Through these and other "direct involvement" programs, Shell is attempting to contribute practical solutions to the pressing social and economic problems of the day.

The care Shell has taken to protect the environment in designing, constructing and operating this pesticides plant at Mobile won for it the Alabama Governor's Water Conservation Award from the Alabama Wildlife Federation last year, the first time the award had ever gone to an industrial installation.



This vacuum flasher and coker installation at the Wilmington refinery, shown under construction last year, is now converting a relatively high sulfur fuel into feedstocks for making gasoline.



EMPLOYEE RELATIONS

At the end of 1970, Shell Oil Company and its subsidiaries directly employed 36,754 persons, only about 1,000 more than at the end of 1961 when revenues were about half the present figure. During the same period the Company's capital investment per employee has increased nearly \$80,000, from about \$87,000 to approximately \$165,000. In addition to the very large investments in modern plant and equipment, there has been a continuing effort to recruit increasingly well-qualified personnel and to upgrade management, operating efficiency and performance at all levels of the organization. Significantly, this effort has taken place during a period when the Company has hired a steadily increasing percentage of minority-

group persons, and provided training and opportunity for upward mobility.

Shell is currently engaged in a comprehensive reorientation of its employee relations program. The objective is to make the Company more responsive to changing conditions in management-employee relationships and to enable work experience at Shell to become more meaningful and rewarding for all employees. New techniques for personnel appraisal, new approaches to training and more effective means of communications with all employees are key elements in the new program.

The program is based in part on the reality that many young people entering the business world today have new concepts of their relations to a corpo-

ration, added expectations of themselves and their employment, and new life styles which occasionally conflict with traditional values.

Two important developments to improve the Company's benefits for present and retired employees occurred during the year. One was an increase effective January 1, 1970, in the contribution to the Shell Hospital Surgical Medical Plan. The second was the substantial upward revision of supplementary payments to pensioners who retired prior to 1969. The program was adopted for a one-year period and is subject to review in the light of circumstances. Both measures were designed to help offset the erosive effects of inflation.

EXECUTIVE CHANGES

Sir David Barran, a Director of Shell Oil Company and Chairman of The "Shell" Transport and Trading Company, Limited, became Chairman of Shell Oil Company, succeeding Monroe E. Spaght, who continues to serve as a Director.

H. Bridges was elected a Director and Executive Vice President and Chief Operating Officer. He was formerly President of Shell Canada Limited.

E. G. Christianson, a Director and Executive Vice President in charge of Exploration and Production, retired after 32 years of service.

R. H. Nanz became Vice President Exploration, succeeding R. E. McAdams, who retired after 34 years of service. Mr. Nanz had been Vice President, Shell Development Company, in charge

of the E. & P. Research Center at Houston, Texas. G. F. Pirsig, Area Exploration Manager, Denver Area, was elected a Vice President to succeed Mr. Nanz.

These other changes took place in the Exploration and Production Organization: C. L. Blackburn, General Manager, Onshore Division, was elected Vice President in charge of the new Southern Region, and G. C. Bankston, Vice President of the former Southwestern Region, was assigned responsibility for the new Western Region. G. A. Burton, Vice President of the former Pacific Coast Area, was named Vice President, International Ventures. J. F. Bookout, Vice President of the former Southeastern Region, resigned to become President of Shell Canada Limited.

F. H. Staub, Vice President, Eastern

Marketing Region, was named Vice President Marketing, succeeding M. B. Holdgraf, who retired after more than 28 years of service.

J. W. Sheehan, General Manager-Refineries, was elected Vice President Manufacturing and M-T-M Research, succeeding H. E. Walker, who was named to lead the Head Office M-T-M advisory group.

G. S. Wolbert, Jr., Treasurer, was elected Vice President Finance, succeeding J. A. Horner, who retired after 34 years' service. R. C. Thompson, Assistant Treasurer, was elected Treasurer.

J. C. Perkins, Manager Washington Office, was elected a Vice President.

J. W. Elger, a General Manager, Shell Chemical Company, was elected a Vice President.

ACCOUNTING POLICIES

This summary of the major accounting policies of Shell Oil Company and its consolidated subsidiaries (hereinafter referred to as "Shell") is presented to assist the reader in evaluating Shell's financial statements and other data contained in this report. For all periods covered in this annual report, Shell has consistently followed these policies in all material respects and originally reported net income has not been revised or restated.

Principles of Consolidation

The financial statements include the accounts of Shell Oil Company (hereinafter called "Company") and all of its wholly owned subsidiaries. All companies acquired have consistently been accounted for as purchases; goodwill, if any, is amortized over a period of benefit which has not exceeded ten years. The investment in Butte Pipe Line Company, a 51% owned subsidiary, is carried at equity in the underlying net assets. Investments in less than majority owned companies are carried at cost with dividends recorded in income as received; the excess of underlying equity in such companies over investment cost at December 31, 1970 was not material.

Short Term Securities

Short term securities are carried at cost which approximates market. Interest is accrued monthly and reflected in dividends, interest and other income.

Inventories

Inventories of oils and chemicals are carried at the lower of market or of the average cost resulting from charging to costs the highest of inventory carrying value, current cost of production or purchases. Materials and supplies inventories are carried at average cost or less.

Leasehold Costs

Direct cost of acquiring undeveloped acreage, generally called lease bonus, is capitalized. Amortization from date of acquisition is based upon experience of the Company in order to fully amortize over the holding period those leases that may be unproductive. The cost of leases which become productive is transferred to a producing property account.

Exploratory Costs

Exploratory expenses, including geological and geophysical costs, annual delay rentals on oil and gas leases and all exploratory and development dry hole costs are charged to income as incurred.

Research

All expenditures for research, except buildings and equipment with extended useful life, are expensed when incurred.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization of the capital cost of producing properties, both tangible and in-

tangible, are provided for on a unit of production basis. Developed reserves are used in computing unit rates for tangible and intangible development costs and proved reserves for depletion of leasehold costs. In all cases the unit determination is by field. Other plant and equipment are depreciated on a straight line basis over their estimated useful lives. Differing rates or deductions are used for tax purposes.

Maintenance, Repairs and Retirement of Properties

Major renewals and betterments are charged to the property accounts while minor replacements, maintenance and repairs which do not improve or extend life are expensed currently. At the time properties are retired or otherwise disposed of in the normal course of business, the cost is charged against the accumulated provision; however, if the retirement relates to an entire property unit or an abnormal casualty, the loss or gain is reflected in current income.

Office Relocation, Employee Relocation and Severance Costs

The cost directly related to relocating the operating and executive offices from New York is being amortized over a four year period commencing October 1, 1969. All other office relocation, employee relocation or severance costs are charged to expense when the obligation is incurred.

Leases

Obligations under noncancellable leases and other contractual commitments are reflected in Note 9 to the Financial Statements.

Income Taxes

Items of income or income deductions are often recognized for payment of income taxes and for book purposes in different time periods, and tax allocation accounting as prescribed by Accounting Principles Board Opinion No. 11 is practiced for all material book/tax timing differences. For those differences pertaining to capital extinguishments, including intangible development expenditures deducted currently for tax purposes, tax deferment is computed by applying the current tax rates to the current difference in deduction. The net cumulative effect is reflected in the Statement of Financial Condition under Deferred Credits—Federal Income Taxes. For other timing differences tax deferment is computed by setting up initial differences at current tax rates and reversing these amounts in the appropriate subsequent period. The latter represent an earlier recognition of expense for book purposes than for tax purposes and they are reflected in Prepayments in the Statement of Financial Condition. Investment tax credits currently realized are applied to reduce the current provision for federal income taxes.

STATEMENT OF INCOME AND RETAINED EARNINGS

	YEAR 1970	YEAR 1969
Revenues		
Sales and other operating revenue	\$4,299,413,000	\$4,229,711,000
Dividends, interest and other income	31,334,000	46,395,000
	<u>4,330,747,000</u>	<u>4,276,106,000</u>
 Costs and Expenses		
Purchased oils and chemicals	1,482,858,000	1,498,845,000
Costs and operating expenses	862,751,000	816,447,000
Selling, general and administrative expenses	426,669,000	403,707,000
Income, operating and consumer taxes	911,766,000	879,385,000
Depreciation, depletion, amortization and retirements, including dry holes	369,408,000	351,831,000
Interest on indebtedness	40,090,000	34,740,000
	<u>4,093,542,000</u>	<u>3,984,955,000</u>
 Net Income	237,205,000	291,151,000
1970—\$3.52 and 1969—\$4.32 per share based on weighted average shares outstanding of 67,387,435 and 67,405,391 respectively.		
 Retained Earnings at beginning of year	1,859,820,000	1,730,447,000
	<u>2,097,025,000</u>	<u>2,021,598,000</u>
 Cash dividends paid: \$2.40 per share	<u>161,719,000</u>	<u>161,778,000</u>
 Retained Earnings at end of year	<u>\$1,935,306,000</u>	<u>\$1,859,820,000</u>

The notes on pages 25, 26 and 27 are an integral part of these statements.

STATEMENT OF FINANCIAL CONDITION

Shell Oil Company and Subsidiary Companies

ASSETS	DECEMBER 31, 1970	DECEMBER 31, 1969*
Current Assets		
Cash	\$ 27,447,000	\$ 45,446,000
Short term securities	205,702,000	242,965,000
Receivables and prepayments	629,994,000	615,311,000
Owing by affiliated companies	8,555,000	9,800,000
Inventories of oils and chemicals	321,924,000	311,136,000
Materials and supplies	38,997,000	30,431,000
Total Current Assets	<u>1,232,619,000</u>	<u>1,255,089,000</u>
Investments and Long Term Receivables	65,415,000	38,098,000
Properties, Plant and Equipment	3,256,695,000	3,031,998,000
Deferred Charges	55,034,000	31,037,000
	<u>\$4,609,763,000</u>	<u>\$4,356,222,000</u>
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities		
Payables and accruals	\$ 483,041,000	\$ 520,428,000
Income, operating and consumer taxes	205,497,000	173,314,000
Owing to affiliated companies	25,577,000	25,900,000
Long term debt due within one year	41,508,000	5,000,000
Total Current Liabilities	<u>755,623,000</u>	<u>724,642,000</u>
Long Term Debt	836,750,000	711,508,000
Deferred Credits—Federal Income Taxes	274,415,000	252,502,000
Shareholders' Investment		
Common stock, authorized 80,000,000 shares, \$1.00 par value, issued 1970—67,539,618 and 1969—67,535,293 shares at stated value	234,117,000	234,112,000
Amount in excess of common stock stated value	582,626,000	582,464,000
Retained earnings	1,935,306,000	1,859,820,000
	<u>2,752,049,000</u>	<u>2,676,396,000</u>
Less: 1970—154,680 and 1969—150,850 shares held in treasury, at cost	9,074,000	8,826,000
Total Shareholders' Investment	<u>2,742,975,000</u>	<u>2,667,570,000</u>
	<u>\$4,609,763,000</u>	<u>\$4,356,222,000</u>

*Reclassified for comparative purposes.

The notes on pages 25, 26 and 27 are an integral part of these statements.

STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

	YEAR 1970	YEAR 1969*
Source of Funds		
Net income	\$237,205,000	\$291,151,000
Depreciation, depletion, amortization and retirements	310,908,000	288,700,000
Dry hole costs (included in capital expenditures)	58,500,000	63,131,000
Deferred credits—federal income taxes (related to write-offs)	21,912,000	30,736,000
TOTAL FUNDS PROVIDED FROM OPERATIONS	628,525,000	673,718,000
Increase in long term debt	166,750,000	60,000,000
Property sales, salvage, etc. (net)	16,379,000	22,755,000
TOTAL	\$811,654,000	\$756,473,000
Disposition of Funds		
Capital expenditures including dry hole costs	\$634,825,000	\$628,753,000
Dividends paid	161,719,000	161,778,000
Decrease in long term debt	41,508,000	61,733,000
Investments, long term receivables and deferred charges	27,053,000	19,897,000
Decrease in working capital	(53,451,000)	(115,688,000)
TOTAL	\$811,654,000	\$756,473,000

*Reclassified for comparative purposes.

The notes on pages 25, 26 and 27 are an integral part of these statements.

OPINION OF INDEPENDENT ACCOUNTANTS

TO THE SHAREHOLDERS OF SHELL OIL COMPANY:

In our opinion, the accompanying statement of financial condition, the related statement of income and retained earnings and the statement of source and disposition of funds present fairly the financial position of Shell Oil Company and consolidated subsidiary companies at December 31, 1970 and 1969, the results of their operations and the information on funds for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

60 Broad Street
New York, N.Y. 10004
February 16, 1971

NOTES TO FINANCIAL STATEMENTS

1. Accounting Policies

Certain information relative to accounting policies is presented on page 21 of this report.

2. General

During the year, two unusual well blowouts caused difficult and massive control and containment problems. The property loss and containment expense included in property write-offs, costs, and expenses reduced 1970 net income \$13 million after insurance and tax credits. Substantial additional expense will be incurred in the first half of 1971 to complete the control and restoration program.

Shell continued in 1970 to have transactions, including the purchase, sale, and transportation of crude oil, petroleum and chemical products in the ordinary course of business, with subsidiaries of Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, Limited, parent companies of Shell Oil Company.

3. Income, Operating and Consumer Taxes

	1970	1969
Consumer Taxes		
Excise and sales taxes		
on products sold . .	\$709,867,000	\$692,609,000
Operating Taxes		
Real and personal		
property	56,955,000	51,083,000
Oil and gas production	34,080,000	31,421,000
Social security	15,738,000	16,114,000
Other	23,842,000	19,210,000
	<u>130,615,000</u>	<u>117,828,000</u>
Income Taxes		
Federal and other		
Current*	37,476,000	17,300,000
Deferred	33,808,000	51,648,000
	<u>71,284,000</u>	<u>68,948,000</u>
	<u>\$911,766,000</u>	<u>\$879,385,000</u>

*Reduced by investment tax credit of \$17,078,000 in 1970 and \$3,698,000 in 1969.

4. Shell Pension Plan and Shell Provident Fund

The Shell Pension Plan covers the regular full-time employees of the Company and its principal subsidiary, Shell Pipe Line Corporation. The pension expense under this plan was \$25,003,000 for 1970 and \$23,578,000 for 1969 which includes provision to fully amortize prior service cost of \$61,141,000 by the end of 1997. The Company's policy is to fund pension cost charged against income.

The Shell Provident Fund is a plan whereby every regular employee of the Company and its principal subsidiary may systematically save a permissible percentage of his salary or wages with a like contribution by the employing company for investment by the Fund. Eligible participants can direct that all or part of their employing company's current contributions be invested in the common stock of Shell Oil Company (the Shell Stock Fund). During 1970, such common stock investments, amounting to \$23,200,000, represented 545,585 shares of which 541,200 shares were purchased on the New York Stock Exchange and 4,385 were shares transferred among individual accounts within the Shell Stock Fund. At the end of 1970, the Shell Stock Fund held 2,371,668 shares of Shell Oil Company's common stock. Company contributions to the Shell Provident Fund totaled \$28,402,000 for 1970 and \$27,263,000 for 1969 which were charged against income.

5. Receivables and Prepayments

The receivables amounted to \$567,340,000 at December 31, 1970 and \$546,624,000 at December 31, 1969, after deducting allowance for doubtful accounts of \$14,726,000 and \$11,887,000 respectively.

Prepayments included \$6,707,000 of federal income taxes at December 31, 1970 and \$18,600,000 at December 31, 1969.

6. Properties, Plant and Equipment

	Cost	Accumulated Depreciation Etc.	Net
	(Thousands of Dollars)		
Production properties	\$2,923,714	\$1,510,348	\$1,413,366
Oil refineries	1,158,889	539,267	619,622
Chemical plants . .	716,742	318,167	398,575
Marketing facilities	809,655	225,337	584,318
Pipelines and other transportation facilities	362,463	181,553	180,910
Miscellaneous facilities	104,925	45,021	59,904
Dec. 31, 1970	<u>\$6,076,388</u>	<u>\$2,819,693</u>	<u>\$3,256,695</u>
Dec. 31, 1969	<u>\$5,675,885</u>	<u>\$2,643,887</u>	<u>\$3,031,998</u>

7. Long Term Debt

At December 31, 1970, long term debt due after one year consisted of the following:

Shell Oil Company

5% Notes due 1980 (secured by purchase money mortgage)	\$ 16,750,000
4½% Sinking Fund Debentures Due 1986, after deducting \$4,996,000 of debentures held in treasury	175,000,000
4½% Notes due 1990	140,000,000
5% Debentures Due 1991	145,000,000
5.30% Debentures Due 1992	150,000,000
8½% Debentures Due 2000	150,000,000

Shell Pipe Line Corporation

7½% Guaranteed Sinking Fund Debentures Due 1999	60,000,000
	<u>\$836,750,000</u>

Of the foregoing long term debt due after one year, \$25,000,000 will be due in each of the years 1972 through 1975, inclusive.

8. Incentive Stock Option Plans

At December 31, 1970, 292,800 shares of the Company's authorized but unissued common stock were reserved under the Plans, adopted in 1956 and in 1965, for sale to key employees, including executives. Prior to August 22, 1963, options were granted for terms not exceeding ten years at not less than 95% of the fair market value at the date of grant. Commencing August 22, 1963, options have been granted for terms not exceeding five years at not less than 100% of the fair market value at the date of grant. Generally, such options may not be exercised within eighteen months of the date of grant. Options granted after August 21, 1963, are by their terms not exercisable until after certain earlier options have been exercised or the time for their exercise has expired, as provided in the Internal Revenue Code of 1954, as amended, with respect to qualified stock options.

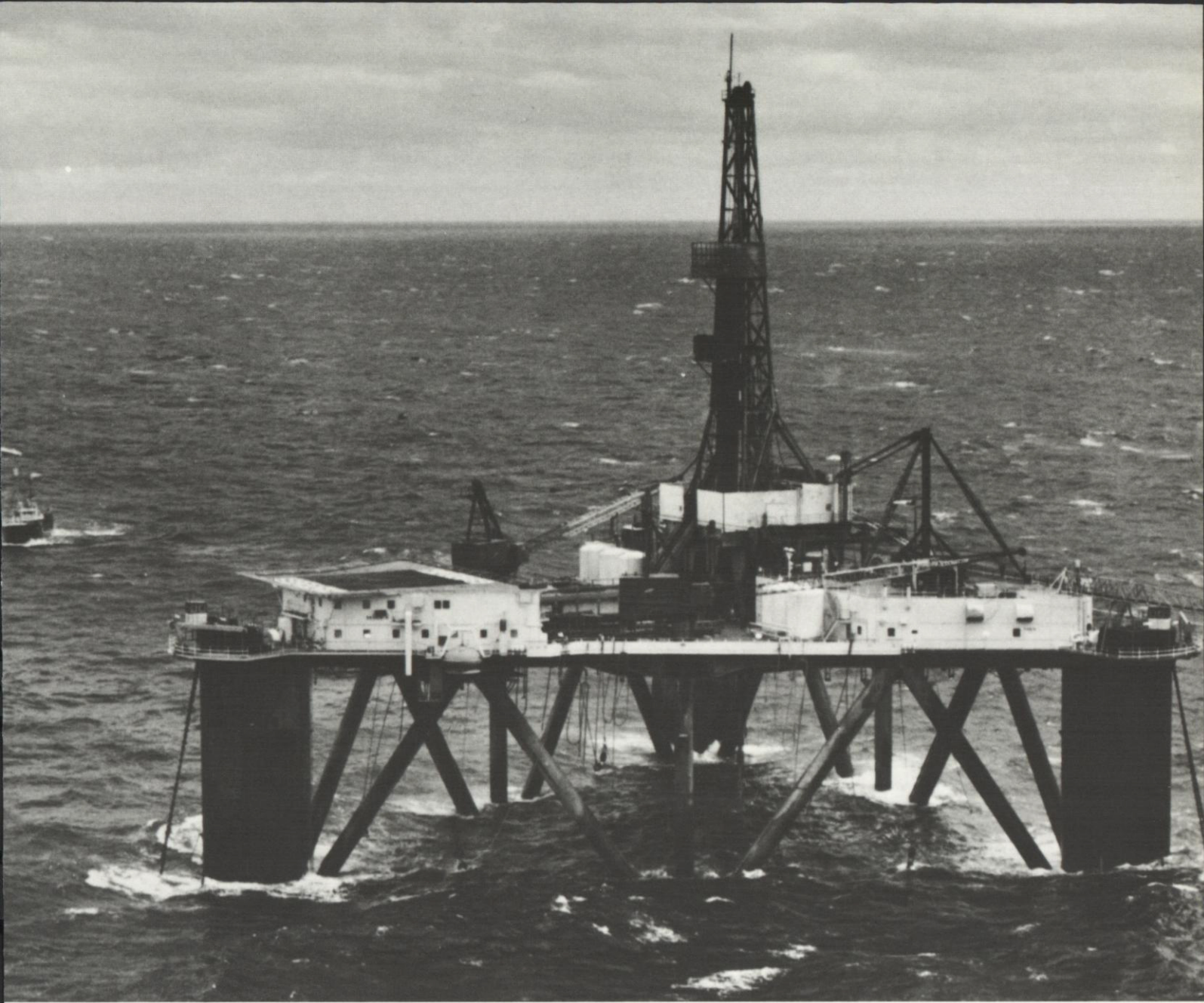
Changes during 1970 in options outstanding were as follows:

	Shares Under Option	
	1956 Plan	1965 Plan
Outstanding Jan. 1, 1970 (of which 152,200 were exercisable)	13,000	191,200
Granted at average price of \$42.53 per share	—	43,000
Expired	<u>(3,000)</u>	<u>(55,600)</u>
Outstanding Dec. 31, 1970 (of which 120,600 were exercisable)	<u>10,000</u>	<u>178,600</u>

The 1956 Plan was terminated in 1965 without affecting outstanding options. Under the 1965 Plan the number of shares available for future options amounted to 91,600 at January 1 and 104,200 at December 31, 1970.

9. Commitments and Contingent Liabilities

At December 31, 1970, Shell had noncancellable leases and other contractual commitments covering



This mobile vessel was engaged in exploratory drilling off the East Coast of Canada last year in the joint venture entered into with Shell Canada by two Shell Oil Company subsidiaries.

service stations, office space, tankers and other facilities. The annual amounts equivalent to principal and interest payable under such commitments average \$69,300,000 for 1971-1975, \$43,500,000 for 1976-1980, \$29,000,000 for 1981-1985, \$16,000,000 for 1986-1990, and \$3,700,000 for 1991-1995. Most of these properties are subleased to others and the foregoing amounts are before deduction of rental income.

Subject to the terms of agreements with Shell Canada Limited dated June 17, 1970, Shell is committed to expend \$225,000,000 Canadian, primarily over the next 6½ years, for exploratory work on non-producing oil and gas interests in Canada and \$25,000,000 Canadian, over a primary term of 10½ years, for research on methods of producing synthetic crude from non-producing interests in tar sands and heavy oil accu-

mulations in Canada. At December 31, 1970, the commitment remaining under these agreements amounted to \$225,169,000 Canadian.

Also the Company may be obligated to provide sufficient funds from crude or product shipments or by other means to enable certain pipeline companies in which it owns an equity interest to meet a portion of such pipelines' debt obligations. It is anticipated that the crude or product shipments will be sufficient to provide the funds required.

Shell had no commitments or contingent liabilities which, in the judgment of the Management, would result in losses which would materially affect its financial position.

TEN YEAR REVIEW OF FINANCIAL DATA

(dollars in thousands except per share amounts)

	1970	1969
Revenues		
Oil and gas		
Refined products	\$2,079,077	2,066,973
Crude oil	\$ 730,581	664,431
Natural gas	\$ 172,459	163,141
Other operating revenue	\$ 84,788	98,800
Dividends, interest and other income	\$ 27,557	38,514
TOTAL	\$3,094,462	3,031,859
Chemical		
Operating revenue	\$ 522,641	543,757
Dividends, interest and other income	\$ 3,777	7,881
TOTAL	\$ 526,418	551,638
Consumer excise and sales taxes	\$ 709,867	692,609
TOTAL REVENUES	\$4,330,747	4,276,106
Costs and Expenses		
Operating costs and expenses	\$2,772,278	2,718,999
Income, operating and consumer taxes	\$ 911,766	879,385
Depreciation, depletion, amortization and retirements, including dry holes	\$ 369,408	351,831
Interest on indebtedness	\$ 40,090	34,740
TOTAL COSTS AND EXPENSES	\$4,093,542	3,984,955
Income and Dividends		
Net income	\$ 237,205	291,151
Net income per share*	\$ 3.52	4.32
Cash dividends	\$ 161,719	161,778
Cash dividends per share	\$ 2.40	2.40
Funds provided from operations	\$ 628,525	673,718
Financial Condition at Year End		
Current assets	\$1,232,619	1,255,089
Current liabilities	\$ 755,623	724,642
WORKING CAPITAL	\$ 476,996	530,447
Properties, plant and equipment	\$6,076,388	5,675,885
Accumulated depreciation, depletion and amortization	\$2,819,693	2,643,887
NET PROPERTIES, PLANT AND EQUIPMENT	\$3,256,695	3,031,998
Total assets	\$4,609,763	4,356,222
Long term debt	\$ 836,750	711,508
Shareholders' investment	\$2,742,975	2,667,570
Shareholders' investment per share	\$ 40.71	39.59
Capital Expenditures		
Drilling and production (including dry holes)	\$ 289,951	307,581
Oil refineries	\$ 91,265	123,315
Chemical plants	\$ 54,260	63,057
Marketing facilities	\$ 143,296	93,310
Pipelines and other transportation facilities	\$ 24,237	28,202
Miscellaneous	\$ 31,816	13,288
TOTAL	\$ 634,825	628,753
Exploration, Production and Research Expenditures		
Oil and gas leases	\$ 64,740	42,673
Producing wells and equipment	\$ 149,244	181,605
Natural gas processing plants	\$ 17,467	20,172
Dry holes	\$ 58,500	63,131
Geological, geophysical and land expenses	\$ 72,490	81,082
Lease rentals	\$ 10,141	9,794
TOTAL EXPLORATION AND PRODUCTION	\$ 372,582	398,457
Research expense	\$ 53,765	57,074
Shareholders and Employees		
Shares outstanding at year end (in thousands)	67,385	67,384
Number of shareholders at year end	31,690	29,070
Salaries, wages and employee benefits		
Salaries and wages	\$ 395,188	377,874
Employee benefits (including vacation, holiday and sick pay)†	\$ 135,940	125,488
TOTAL	\$ 531,128	503,362
Number of employees at year end	36,754	38,998

*Per weighted average share outstanding each year.

**In addition, one Class "A" Common Share of Shell Canada Limited was distributed for each five shares of Common Stock of the Company.

Shell Oil Company and Subsidiary Companies

1968	1967	1966	1965	1964	1963	1962	1961
968,520	1,848,429	1,732,104	1,578,006	1,422,978	1,320,023	1,231,890	1,155,947
617,783	588,393	513,718	497,323	469,468	414,131	367,260	368,066
128,130	135,906	121,250	104,476	95,653	86,392	74,643	75,378
80,447	55,524	41,801	21,490	19,635	12,696	20,714	9,637
33,235	14,764	15,805	12,639	10,786	11,621	8,693	8,738
2,828,115	2,643,016	2,424,678	2,213,934	2,018,520	1,844,863	1,703,200	1,617,766
522,194	443,543	405,766	358,745	320,918	296,824	272,151	262,521
2,231	1,671	543	402	383	322	266	240
524,425	445,214	406,309	359,147	321,301	297,146	272,417	262,761
655,190	584,580	559,888	529,668	491,464	434,043	390,438	357,351
1,007,730	3,672,810	3,390,875	3,102,749	2,831,285	2,576,052	2,366,055	2,237,878
2,506,254	2,334,392	2,145,622	1,950,787	1,801,494	1,622,214	1,512,743	1,460,803
837,085	745,515	715,942	672,848	601,323	553,062	492,360	444,446
317,916	277,310	251,011	229,216	219,013	209,356	191,428	183,162
34,384	30,744	23,100	15,867	11,265	11,568	11,849	9,109
1,695,639	3,387,961	3,135,675	2,868,718	2,633,095	2,396,200	2,208,380	2,097,520
312,091	284,849	255,200	234,031	198,190	179,852	157,675	140,358
4.72	4.66	4.19	3.85	3.27	2.97	2.60	2.32
151,376	128,280	115,731	103,194	90,798	78,658	66,636	66,636
2.30	2.10	1.90	1.70	1.50	1.30	1.10**	1.10
639,346	569,835	521,704	487,446	437,508	401,523	359,058	334,212
1,403,179	1,061,733	984,364	891,608	785,589	806,371	678,932	697,969
757,044	661,533	609,252	521,146	432,643	370,648	310,852	319,075
646,135	400,200	375,112	370,462	352,946	435,723	368,080	378,894
1,272,171	4,880,908	4,485,981	4,092,720	3,704,588	3,403,284	3,261,080	3,092,547
1,494,339	2,324,298	2,237,048	2,136,993	2,044,043	1,948,392	1,838,859	1,754,635
1,777,832	2,556,610	2,248,933	1,955,727	1,660,545	1,454,892	1,422,221	1,337,912
1,229,996	3,660,021	3,273,449	2,885,137	2,486,169	2,300,196	2,139,146	2,222,251
713,241	718,721	553,107	415,535	267,424	273,219	283,123	295,239
1,537,945	2,067,340	1,897,934	1,750,793	1,612,638	1,503,179	1,404,327	1,477,048
37.66	33.80	31.14	28.82	26.63	24.85	23.19	24.38
281,442	343,637	252,740	253,812	253,401	180,058	214,281	179,685
41,519	61,612	113,551	122,165	78,296	25,596	11,787	17,312
107,338	59,144	75,592	43,518	25,903	8,221	20,671	39,795
76,529	111,315	96,623	81,248	43,605	28,108	27,105	24,777
34,354	35,202	14,824	22,854	21,492	4,680	4,076	5,617
12,890	7,977	10,645	7,064	9,254	5,407	4,834	2,728
554,072	618,887	563,975	530,661	431,951	252,070	282,754	269,914
51,834	117,139	15,418	41,609	41,933	40,970	85,250	34,352
176,358	174,883	172,871	152,262	151,853	96,415	91,492	112,158
8,397	7,379	11,657	11,273	9,093	3,951	3,874	9,380
44,853	44,236	52,794	48,668	50,522	38,722	33,665	23,795
78,419	74,665	65,603	63,856	61,381	59,573	56,201	62,831
9,892	10,022	11,390	10,452	14,385	13,012	12,061	10,454
369,753	428,324	329,733	328,120	329,167	252,643	282,543	252,970
55,690	52,549	50,660	46,531	43,398	30,006	26,777	27,503
67,386	61,169	60,958	60,753	60,561	60,496	60,548	60,580
28,591	25,963	24,566	23,917	23,669	23,070	22,183	20,403
348,749	326,819	296,987	270,659	259,696	245,738	244,200	266,053
115,444	108,008	100,119	91,840	85,350	86,668	82,851	93,910
464,193	434,827	397,106	362,499	345,046	332,406	327,051	359,963
39,080	38,330	37,058	34,548	33,578	32,191	33,908	35,586

*Years 1961 to 1969 inclusive restated for comparative purposes.

TEN YEAR REVIEW OF OPERATING DATA

(barrels daily in thousands)

		1970	1969
Marketing	Refined products sold (barrels daily)		
	Gasolines	518	515
	Distillates	302	305
	Residuals	92	93
	All other products	93	95
	TOTAL	1,005	1,008
	Natural gas sold (million cubic feet daily)	2,738	2,654
	Bulk distributing plants (leased and owned)	363	516
	Retail outlets (leased and owned)	10,500	10,900
	Retail outlets (other)	10,600	11,100
Manufacturing	Refinery crude intakes (barrels daily)		
	Anacortes	85	87
	Houston	161	158
	Martinez	88	83
	Norco	205	197
	Odessa/Ciniza	42	45
	Wilmington	78	87
	Wood River	228	213
	TOTAL	887	870
	Refined products manufactured (barrels daily)		
	Gasolines	471	466
	Distillates	246	243
	Residuals	91	90
	All other products	130	112
	TOTAL	938	911
Transportation	Trunk pipeline mileage—crude oil (incl. partially-owned)	7,226	7,130
	Trunk pipeline mileage—products (incl. partially-owned)	8,732	8,514
	Crude oil transported by pipelines (million barrel miles)	126,029	111,909
	Products transported by pipelines (million barrel miles)	46,001	44,465
Production	Crude oil and natural gas liquids produced (barrels daily)		
	Gross	688	626
	Net		
	California	77	82
	Louisiana	304	261
	Montana	18	18
	New Mexico	13	14
	Oklahoma	11	12
	Texas	139	129
	Other	33	32
	TOTAL	595	548
	Natural gas liquids produced (incl. in above) (barrels daily)	68	63
	Gross natural gas produced (million cubic feet daily)	3,027	2,975
	Net natural gas produced (million cubic feet daily)	2,548	2,490
	Crude oil purchased (barrels daily)	936	952
	Crude oil sold (barrels daily)	614	599
Exploration and Drilling	Net acreage (in thousands)		
	United States		
	Producing	857	862
	Non-producing	11,512	14,153
	TOTAL	12,369	15,015
	Canada		
	Non-producing permits and leases	36,311	—
	Net wells drilled		
	Exploratory—oil and gas	32	15
	dry holes	90	226
	Development—oil and gas	359	353
	dry holes	73	104
	TOTAL	554	698
	Net oil and gas wells producing or capable of producing	14,061	14,455

Shell Oil Company and Subsidiary Companies

1968	1967	1966	1965	1964	1963	1962	1961
491	454	424	394	370	335	314	293
289	285	267	254	227	212	199	171
91	89	83	89	83	80	68	66
95	93	98	93	84	78	70	67
966	921	872	830	764	705	651	597
2,315	2,122	1,897	1,661	1,565	1,429	1,335	1,184
591	624	707	703	701	699	737	744
11,400	11,600	11,700	11,500	11,300	10,700	10,300	9,900
11,700	12,100	12,300	13,100	13,000	12,800	12,900	13,300
88	81	76	71	69	54	55	46
155	150	144	142	138	143	119	114
70	64	36	36	40	42	42	35
189	174	152	137	120	115	115	108
41	38	38	35	25			
91	87	87	88	87	84	77	71
198	201	200	191	191	193	161	181
832	795	733	700	670	631	569	555
439	409	365	350	333	308	281	283
240	229	222	213	196	193	174	160
87	74	64	70	71	69	61	58
108	112	107	101	97	84	71	78
874	824	758	734	697	654	587	579
6,938	6,457	6,432	6,460	6,421	6,128	6,054	5,984
8,453	7,781	7,821	7,361	7,040	6,302	6,145	4,998
98,382	109,951	104,715	100,770	98,837	96,836	83,962	94,213
39,718	39,086	35,239	31,434	26,943	26,033	23,851	21,730
607	589	543	493	466	452	430	415
80	72	69	65	64	63	65	72
250	240	208	187	170	156	141	122
20	22	22	21	23	23	21	21
14	14	16	15	13	13	13	14
13	14	15	15	15	15	15	14
123	121	113	101	95	93	88	84
32	31	31	27	27	31	32	36
532	514	474	431	407	394	375	363
58	54	52	47	42	42	38	35
2,636	2,453	2,180	1,926	1,821	1,656	1,516	1,310
2,201	2,046	1,834	1,626	1,559	1,413	1,299	1,129
910	875	797	789	753	677	608	599
577	561	505	493	459	408	363	369
854	855	897	860	844	723	695	656
4,182	10,918	9,983	11,405	14,702	15,066	14,619	14,164
5,036	11,773	10,880	12,265	15,546	15,789	15,314	14,820
—	—	—	—	—	—	—	—
17	27	39	35	52	32	16	27
122	109	122	104	142	108	85	72
569	541	534	413	732	479	505	607
80	54	77	126	83	88	102	75
788	731	772	678	1,009	707	708	781
4,421	14,467	14,594	14,670	14,699	14,152	13,549	13,077

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OFFICE AND PLANT DIRECTORY

SHELL OIL COMPANY CORPORATE HEADQUARTERS, New York, N. Y.

General Offices, Houston, Texas

OFFICE OR PLANT

LOCATION

EXPLORATION AND PRODUCTION ORGANIZATION

Southern Region	New Orleans, Louisiana
Delta Division	New Orleans, Louisiana
Houston Division	Houston, Texas
Offshore Division	New Orleans, Louisiana
Onshore Division	New Orleans, Louisiana
Western Region	Houston, Texas
Mid-Continent Division	Midland, Texas
Rocky Mountain Division	Denver, Colorado
West Coast Division	Los Angeles, California

M-T-M ORGANIZATION

Marketing

Central Marketing Region	Chicago, Illinois
Eastern Marketing Region	Atlanta, Georgia
Western Marketing Region	San Francisco, California

Manufacturing

Anacortes Refinery	Anacortes, Washington
Ciniza Refinery	Gallup, New Mexico
Houston Refinery	Deer Park, Texas
Martinez Refinery	Martinez, California
Norco Refinery	Norco, Louisiana
Odessa Refinery	Odessa, Texas
Wilmington Refinery	Wilmington, California
Wood River Refinery	Wood River, Illinois

Research and Development

Houston Research Laboratory	Deer Park, Texas
Wood River Research Laboratory	Wood River, Illinois

Transportation and Supplies

T & S Operations—East of Rockies	Houston, Texas
T & S Operations—West of Rockies	Los Angeles, California

FINANCIAL ORGANIZATION

Chicago Data Service Center	Chicago, Illinois
Houston Data Service Center	Houston, Texas
Menlo Park Data Service Center	Menlo Park, California
New Orleans Data Service Center	New Orleans, Louisiana
Tulsa Data Service Center	Tulsa, Oklahoma

OFFICE OR PLANT

LOCATION

SHELL CHEMICAL COMPANY HEAD OFFICE, New York, N. Y.

Agricultural Division	San Ramon, California
Denver Plant	Denver, Colorado
Mobile Plant	Axis, Alabama
Princeton Plant	Princeton, New Jersey
St. Helens Plant	St. Helens, Oregon
Ventura Plant	Ventura, California
Industrial Chemicals Division	Houston, Texas
Houston Plant	Deer Park, Texas
Norco Plant	Norco, Louisiana
Martinez Plant	Martinez, California
Dominguez Plant	Wilmington, California
Geismar Plant	Geismar, Louisiana

Petrochemicals Division	Houston, Texas
Houston Plant	Deer Park, Texas

Polymers Division	Houston, Texas
Houston Plant	Deer Park, Texas
Marietta Plant	Belpre, Ohio
Woodbury Plant	Woodbury, New Jersey
Torrance Plant	Torrance, California

Industrial Chemicals Technical Center	Deer Park, Texas
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Plastics and Resins Technical Center	Woodbury, New Jersey
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Elastomers Technical Center	Torrance, California
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SHELL DEVELOPMENT COMPANY HEAD OFFICE, New York, N. Y.

Emeryville Research Center	Emeryville, California
Exploration and Production Research Center	Houston, Texas
Biological Sciences Research Center	Modesto, California

SHELL PIPE LINE CORPORATION CORPORATE HEADQUARTERS, Houston, Texas

Four Corners Division	Compton, California
Northern Division	Centralia, Illinois
Oklahoma Division	Cushing, Oklahoma
Rocky Mountain Division	Denver, Colorado
Southern Division	New Orleans, Louisiana
Texas Gulf Division	Houston, Texas
West Texas Division	Midland, Texas
Research and Development Laboratory	Houston, Texas

A selection of advertisements which have appeared in industrial publications extolling the many end-use possibilities of KRATON thermoplastic rubbers, a synthetic material which has the characteristics of rubber but can be fabricated like a plastic without vulcanization.

At last—the Orangeapple

Shell announces KRATON 4000—a unique series of compoundable elastomers that let you mix apples and oranges—thermoplastics and rubber—right in your plant. Result: benefits of new profits for you.

Now you can compound rubbery products or thermoplastic blends of plastic in your equipment with one variable new product. Shell Chemical's unique KRATON 4000 series has arrived. Economical—Kraton 4000 can be compounded to build up to 1000 percent of their own weight of fillers and diluents. And because they are thermoplastic rubbers, you have full scrap recycle and high speed molding, extruding and forming operations. Versatile—Kraton 4000 even lets you mix apples and oranges—thermoplastics and rubber—to create completely new specialty grades of plastics—flexible or impact polypropylenes, for example. You can even use it to upgrade scrap crystal. An Orangeapple? Yes! And KRATON 4000 makes it possible. Write for our new 24-page "4000" bulletin today. We want to fill your toolbox with profits. Shell Chemical Company, Polymers Division—Thermoplastic Rubber Products Department, 133 West 52nd Street, New York, N.Y. 10019.



"Stretch your imagination with Shell KRATON"

Many firms already have. They've "imagined" with KRATON to produce a soap holder with tiny molded-in suction cups on both sides (see below). Perfect mold fidelity.

They've "imagined" a unique one-piece, multilayered jar opener (lower right).

They've "imagined" mini-gears for a tiny clock alarm system—with a rubber that's injection molded quickly, easily and economically just like a plastic.

How about you? Ever thought of molding decorative flowers? Or a complete one-piece umbrella. Or blow molding Christmas tree ornaments? Or completely new things nobody's ever thought of making from rubber? Why not? Stretch your imagination with Shell KRATON.

KRATON has the look, feel and performance of rubber because it IS rubber. Yet it requires no vulcanizing. And it can be injection or blow molded, extruded, and thermofomed on conventional plastics equipment.

When you do your "imagining" with KRATON, we can be of considerable help. After all, we "imagined" this unique product in the first place.

For over four years, the ready-to-use KRATON polymers have been successfully utilized in footwear, adhesives, pharmaceutical implements, and general molded and extruded products. Now you can "imagineer" with our new compounding grades of KRATON.

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Paramount Blvd., Downey, California 90240 (213) 927-3371.

The Synthetic Rubber Division also supplies Styrene Butadiene Rubber, polyisoprene, SBR and polyisoprene latex, and monomers (styrene, butadiene, and isoprene).

